

April 2008/13

Core funding/operations

Outcomes of consultation

This report is for information only

This document provides the outcomes of a consultation on our plans for implementing the Government's decision to withdraw funding for equivalent or lower qualifications, in line with its new funding priorities.

Withdrawal of funding for equivalent or lower qualifications (ELQs)

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To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges Heads of universities in Northern Ireland
Of interest to those responsible for	Finance, planning
Reference	2008/13
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Enquiries to	Contact HEFCE regional teams in the first instance. Or e-mail elq@hefce.ac.uk

Executive summary

Purpose

1. In September 2007, the Secretary of State for Innovation, Universities and Skills decided that we should phase out funding for most equivalent and lower qualifications (ELQs). In HEFCE 2007/27, we consulted the sector on our plans for implementing this policy. Here we set out the decisions made following that consultation.
2. This document summarises how the withdrawal of funding will be implemented. Further detailed guidance on how institutions should complete their student data returns to reflect the new policy will be issued separately in April 2008. This does not discuss how the savings generated by the ELQ policy will be reinvested, which will be considered during the process of awarding additional student numbers to institutions.

Key points

3. We received 312 responses to our consultation. Responses came from a mixture of higher education institutions, further education colleges, individuals and other organisations. While many respondents expressed concern about the ELQ policy itself, the majority expressed support for our proposals for implementing the withdrawal of funding.
4. Following consultation, we agreed with our Board to amend our original proposals in three ways:
 - a. We agreed that the supplement to the part-time undergraduate targeted allocation should be increased from £20 million to £30 million. This increased supplement will support the part-time sector as it finds ways to respond to the ELQ policy.

- b. We agreed that students in receipt of Disabled Students Allowance (DSA) should be exempt from ELQ policy. This exemption will reduce the extent to which disabled students – a group already under-represented in higher education – will be affected by the policy.
 - c. We agreed that students in Northern Ireland studying with the Open University should be exempted from the policy. This reflects the fact that the ELQ policy does not apply to Northern Ireland.
5. Our final plans for implementing the ELQ policy are therefore as follows.
- a. We will exempt the following students from the withdrawal of funding for ELQs:
 - i. Those studying courses that are identified as 'exceptional cases in the Student Support Regulations and the Student Fees Regulations'. This includes undergraduate medicine, dentistry, social work, nursing, veterinary science and all levels of teacher training, as well as a number of other subjects.
 - ii. Those studying for a foundation degree.
 - iii. Those in receipt of DSA.
 - iv. Open University students in Northern Ireland.
 - b. We will allow students studying for an ELQ to be counted towards the delivery of separately monitored co-funded additional student numbers.
 - c. We will introduce a targeted allocation which will protect strategically important and vulnerable subjects (SIVS) from the impact of the ELQ policy.
 - d. We will provide a £30 million supplement to the part-time undergraduate targeted allocation from 2009-10.
 - e. We will provide safety net funding to ensure that no institution sees a reduction in cash terms compared to its equivalent mainstream teaching grant for 2007-08, as described in our consultation document (HEFCE 2007/27).

Reviewing the policy

6. We will review the impact of the ELQ policy in early 2010. This will consider how institutions have responded to the policy and the effects on various types of provision.
7. We will also review the supplement to the part-time undergraduate targeted allocation and the targeted allocation for SIVS. Both allocations will be reviewed in 2011, to inform grant allocations for 2012-13. The aim of the review will be to consider whether this additional support remains necessary. In the case of the SIVS allocation, we would also consider whether any changes are necessary to the list of subjects supported by this allocation.

Other work

8. During the consultation, a number of institutions, groups and individuals raised concerns about the effect of the ELQ policy on particular subjects. Of particular concern was the impact on theology where it leads to training for the ministry. The Department for

Innovation, Universities and Skills (DIUS) asked us to lead discussions with interested parties to consider how provision of foundation degrees and employer co-funded courses might be used to mitigate impacts of the ELQ policy. These discussions are underway and we will report to the Secretary of State on the outcomes later this year.

9. DIUS also asked us to conduct an annual review of subjects of particular social and economic importance. This first such review will take place in December 2008. It will look at the levels of demand for both exempt and protected subjects, and at other subjects that may in future be regarded as key because of their economic or social significance. Where there is evidence indicating falling demand, we will advise DIUS on possible courses of action.

Action required

10. No action is required.

Background

11. On 7 September 2007, the chair of our Board received a letter from the Secretary of State for Innovation, Universities and Skills regarding higher education funding incentives for 2008-11. The letter asked us to phase out funding for students studying for a qualification that is equivalent to, or lower than, a qualification that they have already achieved. The Secretary of State wrote: 'While there may be much benefit to an individual, or to their employer, in them retraining for a second qualification at a lower level, this is not, in my view, usually as high a priority for public funding as support for students who are either entering higher education for the first time, or progressing to higher qualifications.' In January 2008, the Department for Innovation, Universities and Skills (DIUS) confirmed that implementation of the withdrawal of funding for students aiming for ELQs was a condition of grant.

12. The letter from the Secretary of State in September 2007 included the following requests:

- a. That funding for ELQs be reduced by £100 million by 2010-11.
- b. That the process of phasing out funding for ELQs begin in 2008-09.
- c. That students who are already studying for an ELQ not be affected by this change in policy.
- d. That we make certain exemptions to this policy, in light of Student Fees Regulations and Student Support Regulations, and consider further exceptions or modifications for some categories of student.
- e. That we consider what transitional protection is available for institutions that are most affected in the short term.

13. In September 2007, we launched a consultation on our proposals for implementing the ELQ policy (HEFCE 2007/27). The proposals were guided by the following principles:

- a. That our implementation of the ELQ policy be based, wherever possible, on existing government and HEFCE policies. In particular, we should aim to protect priorities already identified by the Government, or by HEFCE.
- b. That our implementation of the ELQ policy minimise the additional burden for institutions associated with the ELQ policy.
- c. That changes to funding are fully transparent to institutions, and are implemented in a controlled way, thereby giving institutions time to adapt to the new funding environment.

14. The consultation document was accompanied by modelling showing the financial impact on institutions, subjects and modes of study, and by a set of frequently asked questions. We received 312 responses, including responses from 116 higher education institutions, 22 further education colleges and 102 other organisations, such as subject associations and representative bodies. We also received responses from 72 individuals. It should be noted that many of the individuals responding to the consultation wished to express their opposition to the ELQ policy, rather than to comment on our proposals for implementation. This has the potential to distort results – for instance, a number of

individuals said that they disagreed with all our proposals simply because they disagreed with the Government's plan to withdraw funding for ELQs. In order to avoid such potential distortion we have sometimes distinguished in the discussion below the views expressed by individuals, and the views expressed by other respondents.

15. As part of the consultation process, we held consultation events in Manchester, Birmingham and London; these were attended by approximately 170 delegates. In addition, institutions and other stakeholders were invited to send queries about the ELQ policy through a designated e-mail address (elq@hefce.ac.uk). At the point at which the consultation closed, this e-mail address had received approximately 180 comments and queries.

Summary of responses to the consultation

16. The majority of those that responded supported all of our proposals. However, comments indicated a great deal of opposition to the policy itself, as well as resentment that it has not been subject to consultation. An analysis of consultation responses is at Annex A.

17. A dominant theme of many responses involved the negative impact of the policy on part-time provision. While our suggestion to increase the part-time undergraduate targeted allocations was strongly endorsed, it was also argued that this measure would be insufficient to counteract the effect of the ELQ policy. In light of the consultation responses we have reviewed our proposals and decided to increase the supplement to the part-time allocation by a further £10 million. From 2009-10, therefore, the supplement to the part-time allocation will be £30 million. This supplement will be subject to review in 2011.

18. Many requests were made for exemptions for particular subjects or courses, in addition to those we proposed. The exemptions in the consultation had been suggested on the basis that they were exceptional cases identified in the Government's Student Fees Regulations and Student Support Regulations. Often respondents argued that particular subjects should be exempt because they play an important role in meeting the needs of society or the economy. We gave these requests serious consideration, but reached the decision that we should not introduce any further exemptions. This is partly due to financial constraints: it would be difficult to introduce such exemptions while producing the £100 million savings requested by the Government. The only way to do this would have been to remove one or more of the other mitigating actions that we proposed; we felt that this would be inappropriate given the support for these mitigations expressed in the consultation responses. Also many of the proposed exemptions would have been difficult to implement, due to the difficulty in identifying the subject in question through the data we collect. This issue is discussed in more detail in paragraphs 25-26.

19. Many concerns were also raised about the impact of the ELQ policy on disabled students and other vulnerable groups. We recognise our duty to promote disability equality in higher education, and our need to widen access for disabled students. We have therefore decided that students in receipt of the Disabled Students Allowance will be exempt from the ELQ policy.

20. A significant number of respondents argued that implementation should be delayed for a year. It was also suggested that we should allow institutions to retain the funding associated with ELQs, on the condition that they redistribute it to new entrants to higher education (HE). These suggestions are discussed in more detail in paragraph 58. We decided, however, that neither of these options would be feasible. To achieve the savings requested by the Government, we need to implement the policy from 2008-09. If the policy was not implemented until 2009-10, but the required savings remained the same, we would have less scope for implementing mitigations and exemptions. This is because it is only as successive cohorts complete their studies that savings accumulate. Likewise, the option of allowing funding associated with ELQs to stay with institutions would not enable us to secure the savings requested by the Government. It would also compromise the Government's aim of shifting funding towards priority areas.

Exemptions requested by the Government

21. We were asked by the Secretary of State to make certain exemptions to the ELQ policy 'in the light of the Student Support Regulations and Student Fees Regulations'. The context to this request is that most students who are studying for an ELQ are not subject to regulated fees; neither are they eligible for student support in the form of grants or subsidised fee loans. However, there are exceptional cases – for instance, a student studying for a PGCE as an ELQ would continue to be subject to regulated fees.

22. We have decided that courses identified as exceptional cases in the Student Fees Regulations and Student Support Regulations should also be exempt from the ELQ policy. We have aimed to follow the spirit rather than the letter of the Government's request, and have therefore adopted a fairly generous approach towards this category of exemption for the purposes of calculating the adjustments to grant. For instance, we have included a number of courses that are very similar to these exceptional cases, although they are not explicitly mentioned in the regulations. Our decision to extend our protection of undergraduate medical degrees to shorter courses designed for graduate entry is one example of this approach.

23. Such exceptional cases include undergraduate medicine, dentistry and veterinary science, nursing, teacher training and social work. These are treated as special cases in the Student Fees Regulations and Student Support Regulations for a variety of reasons. Some incorporate the award of an honours degree part way through the course; many relate to training for public sector employees, where the Government has a particular responsibility for the supply of places. Our exemptions ensure that the ELQ policy is consistent with these regulations. In particular, it ensures that courses that are subject to regulated fees, even when taken as an ELQ, will continue to receive a public subsidy.

24. Over half of respondents agreed or strongly agreed that we had responded appropriately to the Government's instruction. Further education colleges (FECs) were more supportive than HEIs. A large minority of respondents disagreed with our approach. However, it was often clear from the accompanying comments that this disagreement stemmed principally from opposition to the policy. For instance, several respondents commented that instead of proposing exceptions to the policy, we should have focused on opposing its implementation.

25. It should further be noted that the majority of those who disagreed with our proposals did, in fact, agree that we should exempt the courses that we were proposing to exempt. However, they believed that these exemptions should be extended to include other subjects. There was little agreement about the subjects that should be included in this extension. Candidates included pharmacy, osteopathy (as well as other subjects allied to medicine), counselling, clinical physiology and theological education where it leads to training for the ministry. In all cases, the argument for exemption was based on the claim that the subject or course in question plays an important role in protecting the national interest and should therefore be protected from the ELQ policy. In some cases, it was further argued that the course in question should be protected because it leads to a mandatory qualification for those working in certain professions.

26. While we acknowledge these arguments, our view is that any exemption to the ELQ policy should meet the following criteria:

- a. It should be based on existing government or HEFCE policies; we do not feel that we are in a position to make further judgments about the value of particular courses, particularly without the existence of independent evidence.
- b. It should be affordable; that is, it should not compromise our ability to provide the savings requested by the Government.
- c. It should be possible to clearly identify the provision in question from existing data returns, using fields that are sufficiently robust for the purpose of defining whether or not a student is fundable.

Since we do not believe that any of the additional subjects proposed for exemption meets all three of these criteria we will not make additional subject exemptions. We acknowledge, however, that a number of respondents feel strongly that there are other courses that should be subject to an exemption, and we have brought their concerns to the attention of DIUS. If DIUS were to change the relevant regulations to reflect new priorities, we would look to reflect this in the implementation of the ELQ policy.

27. In addition to subjects that were proposed for exemption, respondents also raised concerns about the differential treatment of UK and EU students within the regulations, and the subsequent impact this would have. Currently UK and EU students with qualifications from non-UK institutions, who are studying for an ELQ, are still subject to regulated fees, unlike those with honours degrees from publicly-funded UK institutions. This means that institutions would not be able to adjust fees for these students to offset the withdrawal of funding. We have discussed this issue with DIUS, and they have agreed that they will address it as part of the review of the Student Support Regulations and Student Fees Regulations for 2008-09, with a view to ensuring that all students studying for an ELQ whose prior qualification is from a non-UK institution can be charged unregulated fees in future.

28. A minority of respondents suggested that certain vulnerable groups should be exempt from the ELQ policy. Some argued that disabled students should be exempt from the ELQ policy. Others suggested that the ELQ policy may have a differential impact on vulnerable groups, particularly those in receipt of means-tested benefits. While it would

be difficult for us to address the latter issue, because we do not have this data for individual students, we return to the issue of disabled students in paragraph 57.

Foundation degrees

29. We want to ensure that a route remains open for students who already have an HE qualification, but who wish to develop new skills that can be used in the workplace. To address this issue, we will exempt foundation degrees from the withdrawal of funding for ELQs. We have decided to do this both because they have been designed in partnership with employers in order to meet their needs, and because they are a form of provision prioritised by HEFCE and the Government.

30. Over three-quarters of respondents either agreed or strongly agreed with our proposals for exempting foundation degrees from the ELQ policy, with robust support from HEIs and complete agreement from FECs. Less than 20 per cent of respondents either disagreed or strongly disagreed.

31. A minority of respondents commented that they would wish this exemption to be extended to Higher National Certificates (HNCs) and Higher National Diplomas (HNDs). In support of this view, it was argued that HNDs and HNCs also play an important role in meeting the skills needs of employers. Some respondents argued that providers of HNDs and HNCs would feel obliged by the ELQ policy to convert these qualifications to foundation degrees, regardless of whether this conversion serves the best interest of the student.

32. Although we gave serious consideration to this issue, we will not be extending the exemption of foundation degrees to HNDs and HNCs. We have aimed to base our implementation of the ELQ policy on existing HEFCE or government policy: neither HNDs nor HNCs have been previously identified as specific priorities. Given the overall financial constraints attached to the ELQ policy, we do not believe a blanket exemption for all HNDs and HNCs would be appropriate. Another option, of course, would be to remove the foundation degree exemption in order to avoid any perceived disadvantage to HNDs and HNCs. Given the level of support for the foundation degree exemption, we do not believe that this approach would be acceptable. It should be noted that HNDs and HNCs, when studied as an ELQ, may still attract support through the allocation of co-funded student numbers (as discussed in paragraphs 34-36).

33. A few respondents expressed the view that students studying for an honours degree as a 'top-up' to a foundation degree should also be exempt from the ELQ policy. We will not implement this extension. We agree that it is important that students studying a foundation degree have the opportunity to progress smoothly to an honours degree. However, we do not believe that this implies that students who already have one honours degree and who now wish to continue from a foundation degree to a second honours degree should be given a preferential call on public funding. It would also be hard to implement this suggestion, as students undertaking an honours degree as a foundation degree 'top-up' are not readily identifiable in the data submitted by institutions.

Co-funded provision

34. As part of our employer engagement strategy, we have worked to support the development of funding partnerships between institutions and employers. A number of universities and colleges are now delivering courses that are co-funded with employers. We would not wish the development of such funding partnerships to be disrupted by the withdrawal of funding for ELQs. We will therefore continue to provide co-funded additional student numbers (ASNs), where appropriate, for students studying for an ELQ. Institutions that wish to grow their co-funded provision will need to approach us for co-funded numbers.

35. Over three-quarters of respondents (excluding individuals) either agreed or strongly agreed with our proposal to allow students studying for an ELQ to count towards delivery of co-funded ASNs, including three-quarters of all HEIs responding. The majority of individuals were undecided – in their comments, they often explained that this was due to a lack of knowledge of co-funding.

36. A number of respondents commented that while this exemption is welcome, its impact will be limited. In particular, some respondents argued that many students who wish to retrain do not have the support of an employer, and therefore will not benefit from this proposal. It was also commented that small and medium-sized enterprises (SMEs) are often unable to contribute towards the costs of training their workforce, and will therefore be unable to benefit from co-funded numbers. We agree that our proposal to exempt co-funded numbers will only benefit a proportion of those who wish to retrain for vocational reasons. However, the aim of this proposal is primarily to protect co-funding partnerships, rather than to ensure that all students who wish to retrain for vocational reasons continue to receive a public subsidy. The latter option would not be financially feasible. Neither would it be achievable: there is no clear line, either in principle or in practice, that would allow us to distinguish unambiguously between study undertaken primarily for vocational/professional reasons and study undertaken for other reasons.

Strategically important and vulnerable subjects (SIVS)

37. The Government has designated a number of subjects as *strategically important*. A subject is strategically important if it provides a student with recognisable specialist skills or competencies that are particularly required by the economy or society. Following the advice of the advisory group (chaired by Sir Gareth Roberts), which reported in 2005, we have identified a number of strategically important subjects which are also *vulnerable*. A strategically important subject is vulnerable if there is a mismatch between either the quantity of provision and the demand from students, or between the quantity of provision and the demand from employers, the Government or wider society. The SIVS designation includes many science and engineering subjects, modern foreign languages and land-based studies.

38. Since 2006, our policy has been to support SIVS through a number of targeted interventions. These include work to raise demand in science, engineering and mathematics and languages as well as additional time-limited funding for very high cost and vulnerable science subjects. We do not wish the work that we have done to build up SIVS to be adversely affected by the withdrawal of funding for ELQs. We therefore proposed to introduce a targeted allocation which will reflect the number of ELQ students

at each institution studying for a SIVS. This allocation will ensure that the ELQ policy will lead to minimal reduction of funding for SIVS.

39. Over three-quarters of respondents (excluding individuals) either agreed or strongly agreed with our proposal to introduce a new targeted allocation on the basis of ELQ numbers studying SIVS. Less than a quarter disagreed or was undecided. Many of those who disagreed with the proposal agreed that we should provide some protection for SIVS, but disagreed with the details of our proposal. Of individual respondents, just over half agreed or strongly agreed, and a quarter disagreed or strongly disagreed. A number of respondents used their comments in this section to criticise the current SIVS policy, mainly because a particular subject was not included.

40. A number of respondents agreed that we should provide protection for SIVS, but argued that it would be preferable to exempt SIVS rather than protect them through use of a targeted allocation. Our proposed approach involves removing from institutions' mainstream teaching grant the funding relating to non-exempt ELQ students studying for a SIVS and re-allocating it as a targeted allocation. This targeted allocation would then be fixed in real terms until the end of the spending review period, at which point it would be subject to review. It would not, however, be subject to additional monitoring arrangements or conditions of grant. Non-exempt ELQ students in these subject areas would be reported as non-fundable for the purposes of our mainstream teaching grant. The alternative approach of simply exempting these subjects would leave the funding for such students in institutions' main teaching grant, and they would continue to be reported as fundable. This approach would be responsive to any changes in student numbers in these areas.

41. The key difficulty with this alternative approach it is that we can only identify students studying for SIVS qualifications through the use of subject codes (for HEIs, the Joint Academic Coding System, or JACS, codes relating to students' qualification aims). Institutions have some discretion in how they use JACS codes when recording their students. If we were to exempt SIVS, we would in future need to define the fundability status of students using JACS codes. This could introduce an incentive for institutions to reclassify their provision for funding, rather than academic, purposes, and leave us with a misleading picture about the health of some subject areas. A more intrusive audit process would be unlikely to fully avoid these difficulties. It should be noted that for courses in other subject areas that we have exempted – those relating to the Student Support Regulations and Student Fees Regulations described above – we believe we will be able to adopt definitions which avoid recourse to JACS codes. In addition, we are aware that subjects do not indefinitely retain their SIVS status; and new SIVS may emerge over time. The provision of a targeted allocation, subject to periodic review, will allow us to reflect these changes; an exemption would be a less flexible measure. For these reasons, we believe that it is inappropriate to treat SIVS as exempt subjects.

42. A number of respondents argued for the extension of the SIVS protection to other subjects. It was argued that computer science, biology, business studies, and creative and cultural arts, among others, should be counted as SIVS. The present list of SIVS was agreed by the advisory group in 2005 and has since been the basis for HEFCE's work in this area. We do not think that this list should be altered in response to the ELQ policy,

particularly given the lack of independent evidence that identifies the subjects in question as both strategically important and vulnerable.

43. A further issue concerned the treatment of Islamic studies. Our original consultation had assumed that Islamic Studies would be treated as a SIVS. However, the Government has only designated it as strategically important, leaving the question of its vulnerability open. In addition, we have become aware through our research to underpin our programme of work on Islamic studies that the subject is embedded in many different academic programmes, in particular religious studies and theology, and that it cannot easily be separated out for funding purposes. For these reasons, we have decided not to add Islamic Studies to the list of SIVS, but to treat it as a strategically important, but not vulnerable, subject.

44. We have recently re-convened the advisory group to review our policy in relation to SIVS. This will report to the Board in the summer, and we expect it to enable us to develop and refine our policy for the future. For the period up to and including 2010-11, we will base our protection on those subjects identified as strategically important and vulnerable by the advisory group in 2005. The SIVS targeted allocation will be reviewed prior to 2011-12 – at that point we will consider whether there is a need to add or remove subjects from the list and to reflect this in the SIVS ELQ allocation.

Part-time provision

45. Our financial modelling shows that part-time provision will be more affected by the ELQ policy than full-time provision. We are concerned that this reduction in funding could lead to some institutions withdrawing part-time courses. This could lead to reduced opportunities for those learners new to HE (or progressing to a higher qualification) who wish to study part-time. This, in turn, could have a negative impact on the widening participation and employer engagement agenda.

46. To counter this, we proposed to uplift the targeted allocation for part-time undergraduate study by £20 million in 2009-10 (the year in which the ELQ policy first has a significant effect across the sector). This uplift amounts to an increase to the part-time undergraduate targeted allocation of approximately 40 per cent. We acknowledged that this funding was not sufficient to offset the differential impact on part-time provision; we hoped, however, that it would help institutions ensure that part-time courses – in particular those well-used by new entrants to HE – remain viable in the short-term.

47. Responses to the consultation appreciated that this proposal was valuable and would go some way to mitigating the impact on part-time provision. However many talked about adverse effects, e.g. the effect on non-ELQ students, lifelong learning and continuing education departments. Some argued for us to exempt part-time provision from the ELQ policy, this would neither be affordable nor in keeping with the spirit of the ELQ policy. Many respondents expressed concern that the figure of £20million would not be sufficient. We have therefore decided to increase uplift the targeted allocation for part-time undergraduate study by £30 million in 200-10.

48. Through the consultation process, the Open University raised concerns that the ELQ policy has been applied to its students in Northern Ireland. We understand that the

ELQ policy is being affected only by the DIUS, and does not, for example, apply in Scotland or Wales. Open University students in Scotland and Wales are funded by their respective funding councils, but those in Northern Ireland continue to be funded by us. We understand that the Department for Employment and Learning in Northern Ireland (DEL) does not currently have plans to introduce the ELQ policy for the institutions that it funds. Given that the Open University is a significant provider of part-time study for students in Northern Ireland, DEL has also asked that, as far as the ELQ policy is concerned, those studying with the Open University in Northern Ireland should not be treated differently from those studying with other institutions there. Open University students domiciled in Northern Ireland will therefore be exempt from the ELQ policy.

Safety net funding

49. We wish to ensure that changes to institutions' grant that arise as a result of the ELQ policy are introduced in a controlled manner, one that gives institutions a good chance to adapt to the new policy. In order to achieve this, we proposed to provide 'safety net' funding. This safety net funding will ensure that no institution sees a reduction in cash terms compared to its comparable mainstream teaching grant for 2007-08. We have committed to providing this safety net funding until 2010-11. Institutions in receipt of a significant amount of such funding in any given year will be required to agree with HEFCE an action plan which outlines how they propose to use this funding.

50. This proposal was strongly supported by respondents, particularly those from HEIs and FECs. Many respondents commented that the safety net funding would be essential to ensure that institutions have the chance to adapt to the ELQ policy.

51. We have committed ourselves to providing the safety net until 2010-11. We proposed this time limit because we are reluctant to make commitments that go beyond the present Comprehensive Spending Review period, as these would be contingent on unknown features of HEFCE's future funding. Some institutions expressed concern at this limit, as they believed that they could find themselves in a difficult financial situation once the safety net ended. We have confirmed through the consultation events that we will, in principle, be willing to extend the safety net beyond 2010-11 for those institutions most affected by the ELQ policy. We hope, however, that the redistribution of the £100 million savings will reduce the need for further safety net funding.

52. A small proportion of respondents argued that the safety net should be extended to funding provided through the recurrent widening participation allocations. We have not adopted this approach. The widening participation allocations are designed to be dynamic and responsive to changes in an institution's student profile. The funding that an institution receives through this stream will typically vary year on year to reflect the extent to which the institution engages with students targeted through these funding streams. Extending the safety net to widening participation funding would remove dynamism. It should also be noted that ELQ students have usually already been excluded from many of the widening participation allocations, on the basis that they already have an HE qualification. As a result, the impact of the ELQ policy on WP funding has been limited.

53. A few respondents also expressed concern about the impact of the ELQ policy on capital funding and on Higher Education Innovation Fund (HEIF) allocations. Capital

funding will not be affected by the ELQ policy in the near future, as it has already been determined for the period until 2010-11; HEIF allocations will be unaffected, as they do not depend directly on student numbers.

Differential impact on students

54. We asked respondents to the consultation to comment on whether the policy and our proposed interventions will impact differentially on particular student groups, depending on their gender, race, whether they have a disability, or any other factors. We asked this question because we are keen to understand and mitigate the impact of the ELQ policy upon any particular group, as part of our legal duties to assess our policies for their potential impact on race, disability or gender equality.

55. In response to this question, a number of respondents raised concerns that the ELQ policy will impact differentially on women, particularly those who wish to retrain after a career break to bring up children. Respondents also expressed concern about the potential impact on other groups, such as: mature students, disabled students, minority ethnic students and 'return to learn' groups generally.

56. DIUS has confirmed that it will consider the impact of the ELQ policy as part of its assessment of the impact of the Comprehensive Spending Review settlement for teaching. In addition, we have completed a sector impact assessment of our plans for implementing the ELQ policy (see paragraphs 67-69). Our analysis shows that the ELQ policy has a slight differential impact on women and a more significant impact on older learners. The differential impact on women, however, is reduced by our proposed exemptions and protections. There is no negative differential impact in relation to black and minority ethnic groups.

57. It was suggested by a number of respondents that disabled students could be disproportionately adversely affected by the ELQ policy. Although our modelling does not confirm this, we wish to reduce the extent to which the ELQ policy provides a barrier to disabled students, given that this group is already under-represented in HE. We have therefore decided to exempt from the ELQ policy students in receipt of Disabled Students Allowance. This is allocated on the basis of an independent assessment of need.

Other issues arising from the consultation

58. As noted above, some respondents suggested that we should declare ELQ students to be unfundable, leaving institutions to redistribute their grant internally from ELQ students to new HE learners. If institutions were then unable to do this, they would face holdback. There are, however, at least two reasons why this approach would not be possible. First, we have been required by the Secretary of State to make saving of £100 million through withdrawing funding for ELQs. It would not be possible to meet this requirement through the suggested approach. If, for instance, institutions were able merely to move within the tolerance band to minimise the impact of the ELQ policy, then insufficient savings would be made. Second, we would lose influence over the re-prioritisation of funding that accompanies the ELQ policy. That is, it would be impossible to ensure that the funding associated with ELQs was used in a way that is consistent with Government and HEFCE priorities.

59. A number of institutions also suggested that implementation of the ELQ policy should be delayed for at least a year, or perhaps until the review of fees expected in 2009. Again, this would not be possible. In order to make the savings requested by the Government, we need to implement the policy from 2008-09. If the policy was not implemented until 2009-10, but the required savings remained the same, we would have much less scope to offer mitigations and protections. This is because it is only as successive cohorts of students complete their studies that savings accumulate. It would also not be feasible to postpone the implementation of the ELQ policy until the review of fees, as it is not clear when any changes emerging from this review will take effect.

60. Some institutions, particularly those with a strong interest in continuing education or lifelong learning, argued that qualifications should be viewed as having a 'shelf-life'. That is, a student's prior qualifications should only be taken into account if they have been achieved in recent years (suggestions varying from five to 20 years). We would not be able to adopt this approach in calculating the withdrawal of funding for ELQs, as the Higher Education Statistics Agency (HESA)/individualised learner record (ILR) data that we are planning to use does not include the date on which a student's prior qualification has been achieved, making it impossible to determine whether or not a qualification has exceeded its 'shelf-life'. Neither is it clear that this would be a desirable course of action. It might be argued that a qualification never fully expires, as generic graduate skills – rather than knowledge-specific to a given discipline – remain with the learner indefinitely. It also might be argued that 'shelf-life' varies considerably between different disciplines: a degree in ancient history remains current for longer than a degree in computer science.

61. An exemption in this area would also be of most benefit to those who had received their HE experience under previous student support regimes, which in many cases were more generous in terms of financial support to students. Through diverting funding towards them, it would detract from the Government's aim of targeting those who have not yet received an HE experience. We acknowledge that learning in some subjects may need periodic updating, and that individuals may need or wish to acquire new knowledge and skills. However, we believe that this is more appropriately addressed by our plans to exempt foundation degrees and co-funded numbers from the ELQ policy.

62. Some institutions raised questions about our use of 2005-06 HESA/ILR data in calculating the withdrawal of funding, arguing that this does not provide an accurate picture of the population of ELQ students that will be present in 2008-09. We are using 2005-06 data because this is the most recent data submitted before the announcement of the ELQ policy. We can therefore have some confidence in its general robustness without subjecting the data to extensive scrutiny. In addition, institutions have already had a significant opportunity to check and correct it, whereas data for 2006-07 has only just been received and has not yet been reconciled or tested for robustness. It would not be possible to base the implementation of the ELQ policy on future data returns, as this would compromise our abilities to make the savings requested by the Government while providing the exemptions and protections described above. In general, we believe that institutions will not be disadvantaged by the use of 2005-06 data to estimate the population of ELQ students present in an institution in 2008-09.

63. A small number of institutions have contacted us to report that their 2005-06 HESA/ILR data submissions contained errors, and that this has affected our calculation of the withdrawal of funding for ELQs. As always, institutions are able to propose amendments to their HESA/ILR data and we will consider whether these should lead to an adjustment to funding. We have indicated to institutions, however, that, if they propose amendments to a subset of their data, we may scrutinise aspects of the data that go beyond this subset in order to assess whether further changes may be necessary. There is therefore no guarantee that a data amendment will lead to an increase in funding.

64. In calculating the withdrawal of funding for ASNs, we have treated all postgraduate taught (PGT) students as of equivalent level. A substantial number of respondents commented that this misrepresents the variety of levels available within PGT provision. For instance, a student who completes a postgraduate diploma and then embarks on a masters degree would generally be regarded as progressing through HE, rather than undertaking an ELQ. While we are sympathetic to this point, we are unable to take it into account when calculating the initial withdrawal of funding for ELQs. This is because the HESA/ILR data that we have used in calculating the withdrawal of funding does not differentiate between different levels of postgraduate taught provision. We intend, however, to adopt a more subtle approach to PGT in our future definitions of fundability. This will be set out in our annual funding guidance, an update of which will be issued in April 2008.

65. Some institutions have also raised concerns about our identification and treatment of students with 'unknown' entry qualifications. We know, from our linking of individualised student data across years, that many of these students do have prior HE qualifications. Our linking will always underestimate these numbers, as we can generally only link back some 10 years, and only to students that achieved those qualifications at publicly-funded UK HEIs and FECs. It excludes, therefore, those whose previous qualification was awarded in an earlier year than we are able to link to, or by an institution that did not submit data returns to HESA or the Learning and Skills Council – such as overseas institutions. We are not formally using the linking data to determine adjustments for individual institutions, because of data protection issues, but it is helpful in informing our general treatment of particular entry qualifications. Our approach with 'unknown' entry qualifications has been to assume that a similar proportion of these students are aiming for an ELQ as applies to other students following similar programmes of study at their institution. We believe this approach is reasonable and strikes an appropriate balance: it would be unreasonable to assume that all these students are aiming for an ELQ; it would be equally unreasonable to assume that none are aiming for an ELQ, because we know this is not the case.

66. As well as the entry qualifications that institutions have formally reported as 'not known', we have treated some other reported entry qualifications as 'unknown' and therefore assumed that a proportion of the students are aiming for an ELQ. Two such entry qualifications have raised particular concern among institutions – those reported as codes 56, 'Other non-advanced qualification' (equivalent to GCSE/'O' level qualifications) and 93, 'Mature student admitted on basis of previous experience (without formal APEL/APL) and/or institution's own entrance examinations'. We have looked closely at the data for such students and the use by institutions of these codes. Our concern is that

institutions have not always used these codes in a way that we can assume that all such students are not aiming for an ELQ. For example, some students whose entry qualifications are coded 56 are aiming for postgraduate qualifications, and we suspect that code 93 may well be used where institutions do not formally capture students' entry qualifications, for example for continuing education courses. For both codes, we also know from linking that some of these students have gained previous HE qualifications in the UK in the last 10 years. We will therefore continue to treat students with these entry qualification codes as proposed.

67. Many respondents commented on the additional administrative burden imposed by the ELQ policy. It was suggested that this may be contrary to the work of the Higher Education Regulatory Reform Group. We acknowledge that the ELQ policy is likely to place some additional burden on institutions, although we believe that this is a feature of the policy itself rather than our plans for implementation. Through basing the withdrawal of funding on historical data, we have sought to keep additional burden to a minimum. We will continue to bear this issue in mind when drafting future fundability guidance.

Sector impact assessment

68. We undertook a sector impact assessment (SIA) of our plans for implementing the ELQ policy. It is important to note that the SIA is primarily concerned with the impact of our plans for implementing the ELQ policy, rather than the impact of the ELQ policy itself. DIUS has confirmed that it will consider the impact of the ELQ policy itself as part of its assessment of the Comprehensive Spending Review settlement for teaching.

69. In sum, the SIA concludes that our proposals keep to a minimum the additional burden associated with the ELQ policy. Our proposals generally have a neutral or insignificant impact on particular student categories, although they do reduce the differential impact of the ELQ policy on women. Our proposals do not have implications for sustainable development. The SIA will be published on our website in April 2008.

Reviewing the policy

70. We will review the impact of the ELQ policy towards the end of 2009, or at the beginning of 2010. This review will consider how institutions have responded to the ELQ policy. We will conduct this review using 2008-09 HESA/ILR data. We will also consider asking institutions to provide additional information as part of the annual monitoring statement, in order to provide an early insight into the impact of the policy. The aim of our review would be both to consider whether our interventions are working effectively (and whether any additional interventions are required) and to provide information for DIUS to use to inform future policy making.

71. We will also review the supplement to the part-time undergraduate targeted allocation and the targeted allocation for SIVS. Both allocations will be reviewed in 2011, to inform grant allocations for 2012-13. The aim of the review will be to consider whether this additional support remains necessary. In the case of the SIVS allocation, we would also consider whether any changes are necessary to the list of subjects supported by this allocation.

Other work

72. During the consultation, a number of institutions, groups and individuals raised concerns about the effect of the ELQ policy on particular subjects. Of particular concern was the impact on theology where it leads to training for the ministry. DIUS asked us to lead discussions with interested parties to consider how the provision of foundation degrees and employer co-funded courses might be used to mitigate impacts of the ELQ policy. We will report back to the Secretary of State later this year.

73. DIUS also asked us to conduct an annual review of levels of demand for exempt and protected subjects, and for other subjects that may in future be regarded as key because of their economic or social significance. Where there is evidence indicating falling demand in such a subject, we will advise DIUS on:

- a. The scope to increase demand for that subject from those with an ELQ;
- b. Whether there is adequate provision of foundation degrees in that subject;
- c. The scope for labour market demand for graduates in that discipline to translate into increased employer funding to support students in that discipline.
- d. Whether there is a case for exempting entrants to the subject who have an ELQ from the general ELQ rule or protecting it in other ways.

74. This process would potentially lead us to advise on subjects that should no longer be exempt or should have protection withdrawn from them. It is likely that, to ensure an efficient process, this work will be undertaken as part of our work implementing the recommendations of the Sainsbury review, and our regular review of SIVS.

Annex A: Analysis of consultation responses to HEFCE 2007/27

Overview

1. We received responses from:
 - 116 higher education institutions (HEIs)
 - 22 further education colleges (FECs)
 - 102 other organisations, such as subject associations and other representative bodies.
 - 72 individuals.
2. The unusually high response rate from individuals undoubtedly reflects the attention that the ELQ policy has attracted in the press, and among students. At times, the responses from individuals have the potential to distort the results of the consultation. For instance, a number of individuals expressed their disagreement with our proposals on the grounds that they disagreed with the ELQ policy and believed that we should not be taking any steps to implement it. In order to acknowledge the differing perspectives of individuals, we have sometimes treated their responses separately in the discussion below.
3. We also received letters and e-mails from institutions, students and other individuals. The majority of these focused on the ELQ policy itself, rather than our proposals for implementation. Such comments have been reflected below in paragraph 32. When these letters included comments about our proposals for implementation, these have been reflected in our analysis below.
4. In the analysis which follows, references to proportions for or against a particular proposal mean 'among those that responded', rather than among any wider population. In general, respondents provided more comments when they wanted to say why they disagreed with a particular proposal than why they agreed with it or had no preference. Often where disagreement has been expressed it is not the principle that is objected to, rather that the respondent has an alternative approach in mind. The qualitative comments in this analysis can therefore present a more negative picture than is reflected by a quantitative analysis of numbers of respondents agreeing or disagreeing with a proposal.
5. Each of our proposals received approval from over 50 per cent of respondents. The proposal to provide a supplement to the part-time allocation received the strongest support, with over 85 per cent of respondents either agreeing or strongly agreeing. The first question – asking if we had responded appropriately to the Government's instruction – received the least support, with just over half of respondents either agreeing or strongly agreeing. It should be noted, however, that many people disagreed because they opposed the policy itself, or because they wanted additional exemptions beyond those already proposed. More detailed analysis of the consultation responses is provided below.

Analysis of responses to specific questions

Consultation question 1: Have we responded appropriately to the Government's instruction that certain categories of student should be exempt in the light of the Student Fees (Qualifying Courses and Persons) (England) Regulations and Education (Student Support) Regulations?

6. Over half of those that replied agreed or strongly agreed that we had responded appropriately to the Government's instruction. FECs were more supportive than HEIs. A large minority disagreed with the question. However, it was clear from the comments that disagreement was mainly with the policy itself, rather than the proposed exemptions.

7. There was overwhelming support for exemptions to be applied when implementing the ELQ policy, with many respondents saying that our approach was necessary and/or welcome. However, many respondents felt that the categories of exemptions were not broad enough and should include additional subjects. One of the most mentioned subjects was pharmacy, though osteopathy and other subjects allied to medicine were also mentioned frequently. Creative and cultural arts and professional development for teachers were also highlighted by a number of respondents.¹

8. Many used this first question as their opportunity to voice their opposition to the policy itself, but some did criticise the proposed exemptions. Some common points were:

- requests for other subjects to be included in the list of exemptions
- treatment of home and EU students (some respondents said they should be treated differently, some said they should be treated equally)
- requests to use this exercise as an opportunity to amend the current Student Support Regulations and the Student Fees Regulations
- the exemptions favour the public sector qualifications over other forms of vocational training / progression.

Consultation question 2: Do you agree with our proposal to continue providing public funding for students studying for a foundation degree as an equivalent or lower qualification?

9. Over three-quarters of respondents agreed or strongly agreed to our proposal to continue providing public funding for students studying for a foundation degree as an equivalent or lower qualification. Support was strong from institutions, with again three-

¹ Other subjects mentioned by one or more respondent included: CPD and M-level qualifications for teaching and medical professionals; graduate diplomas in law; operating department practitioners; paramedics; osteopathy; physiology; audiology (BSc); healthcare scientists; human nutrition; immunology; medical microbiology; medical physics; medical technology; neurophysiology; neuroscience; occupational health; optometry; parapsychology; pathology; pharmacology, toxicology and pharmacy; creative and cultural industries

quarters agreeing to the proposal. It was suggested that foundation degrees are critical in terms of offering coherent and effective progression routes for non-traditional learners and also a way of re-training during working life; they are also an essential vehicle for upskilling the workforce and meeting the targets identified in the Leitch review.

10. Over a quarter of respondents raised concerns over the rationale of only exempting foundation degrees and not other qualifications. Suggestions of other qualifications that could be considered for exemption included:

- exempting awards that include a prescribed level of workplace learning and/or assessment, rather than linking vocational training to a particular qualification
- exempting other professional qualifications that meet employers' skill needs
- applying exemptions to subjects considered to be of national need such as design and communication relating to the creative industries
- exempting HND and HNCs, which many respondents felt were strongly supported and endorsed by employers and students
- recognising that employers are already involved in co-funding through the sponsorship of employees by day/block release and payment of tuition fees
- exempting postgraduate taught courses that provide professional development, particularly in areas like medicine.

11. Many responses queried progression routes from foundation degrees into undergraduate studies, expressing concern that not exempting the top-up year to an honours degree following a foundation degree could place a barrier to progression.

12. A range of other concerns were expressed. These included:

- the impact on London and the creative and cultural industries in preventing regular updating of skills in a fast-changing environment
- employers not universally accepting foundation degrees, and so these courses therefore not appealing to students
- a potential risk of ELQ students enrolling on foundation degrees at the expense of students who would not have entered HE via the traditional route
- a risk of students choosing a foundation degree over a more appropriate qualification because of the ELQ policy.

Consultation question 3: Do you agree with our proposal to allow students studying for an ELQ to count towards the delivery of co-funded additional student numbers?

13. Over half of all respondents agreed with our proposal to allow students studying for an ELQ to count towards the delivery of separately monitored co-funded additional student numbers (ASNs). Support was particularly strong from all institutions, with three-quarters in agreement.

14. It was noted by several respondents that the proposal would help institutions work more closely with employers and in meeting the Government's targets for co-funded provision.

15. Some respondents also suggested that using a separate allocation for co-funded numbers would continue to allow funding for programmes built around employer engagement. However it was noted that the market is volatile and numbers of students can vary significantly year on year. This volatility would need to be considered within any separate monitoring of ASNs to ensure consistency of funding based on activity.

16. It was suggested that by allowing co-funded additional places to be exempted over other courses, HEFCE would be prioritising employer needs over the individual. There were concerns that exempting co-funded places would enable a student studying an ELQ to secure a place over a first time entrant, countering the aims of the policy.

17. Respondents raised a number of concerns about co-funding. These included:

- that the process for bidding may be intensive and bureaucratic
- that other forms of partnership may be valued by employers over co-funding partnerships
- that employers may not be willing to financially support courses in the way envisaged by HEFCE
- that a flexible definition of co-funding is used to maximise the engagement of employers
- that the policy was new and so in some ways untested and unevaluated
- that co-funding was less appropriate for small and medium-sized enterprises, or for industries with a large amount of self-employed, freelance professionals
- that HEFCE ensures that employers and institutions are fully aware of the co-funding policy and how to engage with it.

Consultation question 4: Do you agree with the proposal to introduce an allocation for strategically important and vulnerable subjects (SIVS), calculated on the basis of ELQ numbers studying SIVS?

18. Nearly three-quarters of respondents agreed with our proposal to introduce an allocation for SIVS. Just over a quarter either disagreed or didn't know. Further education colleges were more in favour of the proposal than higher education institutions.

19. Generally respondents were supportive of the need to recognise other policy priorities such as SIVS when implementing the ELQ policy. However, as with other questions, respondents took the opportunity of answering to express opposition to the policy itself. In addition, this was used by respondents to state that the SIVS category was too narrow and so make requests for additional subjects to be granted strategic or vulnerable status.

20. Of comments made about the proposal itself, a number of points were repeatedly made:

- it does not incentivise or recognise new growth in SIVS
- it favours those with a lot of SIVS provision in 2005-06 over those with a low level of provision, some saying that provision has since expanded
- the allocation should be reviewed regularly (as should the list of SIVS)
- institutions could face additional burden when administering future SIVS student data.

21. A common comment – made by respondents both for and against the proposal – was that we should not introduce a targeted allocation but instead exempt SIVS in the same way as we have proposed with foundation degrees.

Consultation question 5: Do you agree that we should provide a supplement to the part-time targeted allocation?

22. Over three-quarters of respondents agreed or strongly agreed with this proposal, less than a quarter did not answer or did not know and a small minority disagreed. Just over a quarter offered comments. These were mainly in the form of disparate reservations, qualifications or further suggestions by those who had agreed with the proposals. The most common of these questioned the proposed level of the supplement or stated that it was insufficient. A second small cluster called for a review of the impact of the supplement/targeted allocation (some respondents appeared to be unaware that a review was proposed in 2011-12). A third group wondered why the supplement and targeted allocation could not be introduced in 2008-09 rather than a year later. There were mixed views on whether the supplement should be permanent (the majority) or transitional only.

23. Of those few that disagreed, a number objected in principle to creating a targeted allocation outside of core funding; others felt that an exemption was more appropriate than a targeted allocation; and a few respondents that had rejected the overall ELQ policy felt that the proposal served to give undesirable 'cover' to issues of principle.

Consultation question 6: Do you agree with our proposal to provide 'safety net' funding to maintain each institution's grant at a comparable 2007-08 level in cash terms?

24. A large majority of respondents agreed or strongly agreed to our proposal to provide safety net funding. Support was particularly strong from institutions: nearly all respondents expressed some level of agreement. It was suggested that the safety net funding will provide vital breathing space for institutions, allowing them to review their provision and fee structures without facing financial instability. Comments were fairly minimal apart from the points raised below.

25. Several respondents suggested that we should maintain each institution's grants at their 2007-08 level in real terms, rather than cash terms, at least for 2008-09. A few respondents commented that we should avoid any pretence that a cash standstill does not amount to a real-terms reduction in funding.

26. Several respondents expressed concern that the safety net would end in 2010-11, and said there would be a need to provide financial stability for institutions beyond this period. One respondent suggested that this could be achieved by adding any 2010-11 safety-net funding to institutions' block grant allocations. In contrast, another respondent advised against extending the safety-net funding beyond 2010-11, on the grounds that this could discourage institutions from exploring a more sustainable response to the challenges posed by the ELQ policy.

27. One respondent (who was opposed to the safety net) claimed that institutions feel uncomfortable receiving safety net funding, as it appears to label them as financially weak. This respondent would have preferred institutions to have been given a period of time to shift funding from ELQ students to non-ELQ students.

28. A small number of respondents suggested that rather than a safety net, they would have preferred a sliding scale of mitigation which benefits a larger number of institutions.

Consultation question 7: Do you consider that the ELQ policy outlined in this document is likely to have a differential impact on students, depending on their gender, race, whether they have a disability, or any other extraneous factors? If so, how might this be mitigated?

29. Around two-thirds of respondents considered that the policy could have a differential impact; about a quarter did not answer or did not know. Just over 10 per cent of respondents did not think it would have a differential impact. Most respondents offered tentative comments, deducing differential impact from the perceived demographic pattern of part-time provision. Only a small minority referred to HEFCE modelling or (in the case of HEIs) their own data analysis. A number welcomed (or called for) the proposed sector impact assessment as the appropriate vehicle for assessing differential impacts.

30. Common concerns were the possible differential impact by gender (on women), by age (older, mature students), by disability (especially those that had become disabled since obtaining their original qualification), by ethnicity and on 'return to learn' students generally. Individuals with overseas qualifications, including British citizens and migrants, were also mentioned by some respondents as especially affected (with potential differential impact). Learners studying in some subject areas were thought to be particularly affected, notably those in areas allied to medicine (for example, pharmacy, osteopathy, dispensing opticians, psychotherapy), niche creative and cultural areas (for example, music conservatoires), continuing education, psychology, theology and teacher training in further education and HE.

31. Proposals for mitigating action were rare overall, although individual respondents had a higher propensity to suggest action (nearly all calling for the policy to be abolished). The most common suggestions across all groups were action to mitigate the

impact on those with disabilities (including that all those in receipt of Disabled Students Allowance should be exempt), and that a qualifying period should be introduced after which an ELQ would not count as such (suggestions varied from 5 to 20 years). A small cluster of organisations referred to a potentially negative impact on their developing diversity and equality policies. Proposals to extend exemptions (or the SIVS designation and exemption) were made in relation to a number of subject areas (paragraph 7). Ex-offenders required to retrain to change employment area and freelance professionals were among groups thought to deserve particular attention.

Consultation question 8: Do you have any further comments?

32. Many respondents wrote lengthy answers to this question. Some were directed at the ELQ policy itself (sometimes with explicit instruction that we pass these comments to the Government). The analysis below summarises those comments which bear directly on our plans for implementing the ELQ policy. As might be expected, many comments are negative; as noted above, respondents are often more moved to express disagreement than agreement. However, a number of respondents expressed appreciation for HEFCE's pragmatic approach to the ELQ policy, and for the speed at which we responded to the Government's request.

Comments related to the use of data

33. A large number of respondents raised concerns about our treatment of postgraduate taught (PGT) provision. They argued for the need to recognise that there are different levels of PGT qualification; a student may progress through PGT by taking first a postgraduate certificate, and then a postgraduate diploma and then a masters degree. Therefore, a student studying for a second PGT qualification is not necessarily studying for an ELQ. Some respondents acknowledged that it would not be possible to distinguish between different levels of PGT when calculating the withdrawal of funding for ELQs, as the HESA/ILR data that we have used in these calculations do not distinguish between different levels of PGT qualification. However, they urged us to ensure that we adopt a finer-grained approach to PGT provision when defining the future fundability status of students. Some respondents suggested that we should work with HESA to ensure that institutions are able to record different levels of PGT qualification in the future.

34. Many respondents objected to our treatment of students with unknown prior qualifications. We have assumed that a proportion of students with unknown prior qualifications are studying for an ELQ. Some respondents suggested that this approach is unreasonable, and that we should, instead, assume that such students do not have significant prior HE qualifications. Other respondents accepted that we should treat a proportion of students with unknown prior qualifications as studying for an ELQ, as to otherwise would be to reward poor data collection practices. However, they argued that this approach should only apply to students whose prior qualification is recorded as 'Other non-UK qualification, level not known' or 'Not known' (HESA/ILR field codes 97 and 99), and not extended to HESA/ILR field codes 21, 22, 28, 56 and 93. A small number of respondents suggested that our decision to treat students with OU credits or credits from UK HE institutions as ELQ students (HESA/ILR field codes 21 and 22) could

discourage transfer between institutions, and hence reduce flexible learning opportunities. Several respondents commented that our treatment of unknown prior qualifications is prejudicial to institutions that do the most to widen participation, as students from under-represented groups are particularly likely to have unknown prior qualifications.

35. A substantial number of respondents raised issues about our decision to calculate the withdrawal of funding for ELQs on the basis of 2005-06 HESA/ILR data. Some commented on the need to perform a trend analysis to ensure that 2005-06 can be treated as a typical year; one respondent argued that 2005-06 was likely to be atypical due to the introduction of variable fees. Others suggested that it would be better to base the withdrawal of funding on more recent data, or to use an average arrived at through considering data submitted in the three years prior to 2007-08. Several respondents commented that the use of 2005-06 data is inequitable, as it does not reflect changes in student profile that have taken place in the intervening years.

36. Some raised concerns that HESA/ILR data is not robust enough to bear the weight placed on it in calculating the withdrawal of funding for ELQs. Several respondents from institutions commented that they had not given detailed scrutiny in the past to records of students' prior qualifications, since these have never been used before for funding purposes. A very small number of respondents suggested that the implementation of the ELQ policy should be informed by a bespoke data collection exercise.

37. A number of respondents suggested that students may in the future be reluctant to declare their prior qualifications, especially if institutions decide to charge higher fees for ELQ students. A few called for introduction of a national database which will enable institutions to check students' prior qualifications. Others called for HEFCE to issue good practice guidance explaining the measures that institutions should take in order to ensure that students are reporting their higher qualifications correctly. Some institutions were concerned that they could be penalised financially if HEFCE were to discover that students reported as fundable were in fact studying for an ELQ. A few respondents asked for clarification regarding the legal position of students who inaccurately declare their prior qualifications.

38. Some HEIs suggested that, instead of withdrawing funding for ELQs, we should declare students studying for an ELQ as unfundable. Institutions would then be responsible for recruiting non-ELQ students in order to meet their HEFCE teaching contract. Those who passed out of their contract range as a result of under-recruitment would suffer holdback. It was argued that this would provide a less burdensome way of implementing the ELQ policy.

Requests for additional exemptions

39. A fairly large number of respondents suggested that, when determining whether a student is studying for an ELQ, prior qualifications should be taken into account only if they have been achieved within a given time-period – either 5 or 10 years were seen as appropriate, though some did suggest 20 years. It was argued that this would support lifelong learning, and recognise the fact that qualifications often have a 'shelf-life' and need periodic updating.

40. Some respondents argued that all professionally accredited courses should be exempt from the ELQ policy, in order to support professional development in the workplace. Examples given of such courses included law, acting, accountancy, psychology and electrical engineering.

41. A small number of respondents suggested that we should exempt from the ELQ policy students who are unemployed or unwaged, as further study is likely to help them return to the workplace. It was also suggested that we should exempt all disabled students, and all students on low incomes.

42. A few respondents suggested that we should exempt all part-time students from the ELQ policy. One respondent acknowledged that this would make it difficult to achieve the savings requested by the Government, but suggested that we could achieve this through an efficiency gain across full-time provision.

43. A small number of respondents suggested that courses that meet skills priorities identified by the Sector Skills Councils or the Regional Development Agencies should be exempt from the ELQ policy.

44. A few respondents suggested that the exemptions should apply to those undertaking a 'top-up' module to improve their employability in subjects such as IT or business skills.

Comments related to particular groups of institutions

45. A number of respondents argued that we should be mindful of the impact of the ELQ policy on London. It was noted that many of the institutions most affected by the policy are in London. Three reasons were given why this should be viewed as cause for concern:

- a. London institutions play an important role in meeting the skills needs of both the capital and the rest of the UK.
- b. London has a higher than average requirement for qualifications at Level four or above.
- c. London institutions have important role in creating and maintaining the international reputation of higher education in the UK. A small number of respondents argued that the exemption of foundation degrees could serve to divert funding to lower level skills, and hence in some sense devalue the London workforce.

46. A number of respondents raised concerns about the impact that the policy may have on small and specialist institutions. It was noted that small institutions such as conservatoires depend on carefully balanced student numbers (to achieve, for instance, the appropriate constitution of an orchestra). Therefore, the loss of student numbers due to the ELQ policy will be particularly disruptive. Some respondents pointed out that some disciplines (for instance, acting and singing) require a level of physical maturity, and that it is therefore more likely that students have studied for a prior HE qualification. Many

small and specialist institutions felt that it would not be realistic to achieve co-funding, as the relevant employers are often small and publicly-subsidised.

47. Some concern was expressed about the impact of the ELQ policy on Oxford and Cambridge. It was argued by one respondent that Oxford and Cambridge's targeted allocation for old and historic buildings should be insulated from the impact of the ELQ policy, in order to preserve the college fee settlement.

Other issues

48. Many respondents raised concerns about the increase in administrative burden introduced by the ELQ policy. Institutions will need to spend more time recording and verifying students' prior qualifications. They may also need to implement new fee structures and resource allocation models. It was suggested that this is contrary to the Higher Education Regulatory Reform Group's recent successful work to reduce administrative burden. Some argued that the introduction of exemptions is likely to add to administrative costs, due to the work involved in establishing whether a student is enrolled on an exempt course.

49. A small number of respondents commented that the ELQ policy has led to the increase of additional funding streams outside the mainstream teaching grant. They viewed this as part of a recent, regrettable trend to link funding to HEFCE strategic objectives, thereby potentially undermining institutional autonomy.

50. A number of respondents commented that institutions that have been most affected by the ELQ policy should get the first chance to bid for ASNs that become available in coming years. In contrast, a smaller number of respondents commented that ASNs should be distributed on the basis of fit with HEFCE priorities, rather than used to mitigate the impact of the ELQ policy. A few respondents hoped that some ASNs will be available for 'mainstream' provision, rather than provision prioritised by HEFCE and the Government (such as foundation degrees and co-funded courses).

51. A small number of respondents commented that further work needs to be done to understand the extent to which it is in the public interest to support students studying for an ELQ. A few commented that courses which are not presently vulnerable should not be exempt from the policy, whatever their national importance. In contrast, one respondent deplored all talk of the public interest in defending the ELQ policy, on the grounds that it implies that teaching most ELQ students is not in the public interest. A few respondents suggested that the criteria for determining the exemptions required further consideration.

52. A few respondents suggested that they would welcome further engagement with HEFCE in order to facilitate the implementation of the policy, perhaps through a 'road show' or a series of technical workshops.